

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
UTILITIES, INC. FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	CASE NO. 91-156
REVENUE BONDS UNDER THE PROVISIONS)	
OF KRS 278.300)	

O R D E R

On May 21, 1991, East Kentucky Utilities, Inc. ("East Kentucky") applied for Commission approval of Floyd County, Kentucky's issuance of approximately \$912,000 in Gas System Refunding Revenue Bonds. KRS 278.300(2) requires the Commission to dispose of this application within 60 days unless good cause exists to continue it. The Commission finds that good cause exists to continue this application.

The two series of revenue bonds for which East Kentucky seeks approval will be used primarily to refinance existing debt. Under the provisions of the existing bond ordinance, neither of the proposed bond series may be issued until the Commission has approved rates for East Kentucky which are adequate to meet the requirements of that ordinance. East Kentucky has failed to demonstrate that its present rates are sufficient to meet those requirements and has suggested that an application for rate adjustment will be necessary. Considerable time, therefore, may elapse between Commission approval of the proposed bond issuance and the actual issuance.

The success of any bond issuance depends largely upon financial market conditions at the time of issuance. Because of the length of time which will elapse between Commission approval of such issuance, the actual issuance, and the volatility of today's financial markets, the Commission finds that any ruling on East Kentucky's application should be deferred until East Kentucky has demonstrated that its rates are sufficient to cover the proposed bond issuance. The Commission will then assess the proposed bond issuance in light of the most current financial market conditions and rule on the application.

IT IS THEREFORE ORDERED that East Kentucky's application for Commission approval of Floyd County, Kentucky's issuance of approximately \$912,000 of Gas System Refunding Revenue Bonds is continued until East Kentucky can adequately demonstrate to the Commission that its effective rates are sufficient to cover the proposed bond issuance.

Done at Frankfort, Kentucky, this 19th day of July, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director